

Message Text

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PAGE 01 BERN 00050 01 OF 02 061051Z

ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CIAE-00 COME-00 EB-07
FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06
SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-04 CEA-01 L-03 H-02 PA-02 PRS-01 /114 W
-----061110Z 090162 /12

R 060935Z JAN 77

FM AMEMBASSY BERN
TO SECSTATE WASHDC 3724
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
USMISSION EC BRUSSELS
USMISSION OECD PARIS
USMISSION GENEVA
USDEL MTN GENEVA
AMCONSUL ZURICH

UNCLAS SECTION 1 OF 2 BERN 0050

PASS TREASURY AND FRB

EO 11652: NA

TAGS: EFIN ECON SZ

SUBJ: SWISS FINANCIAL AND ECONOMIC REPORT: WEEK DEC 26-JAN 1

1. SUMMARY: DOLLAR EXCHANGE RATE AGAINST SWISS FRANC ROSE
SLIGHTLY IN RELATIVELY QUIET MARKET AT YEAR END. GOLD PRICE
INCREASED TO 134. CAPITAL MARKET AND MONEY MARKETS VERY
LIQUID. SWISS NATIONAL BANK BALANCE SHEET END 1976 UP
12 PERCENT COMPARED END 1975. GOVT FORECASTS ONLY
SLIGHT REAL ECONOMIC GROWTH IN 77. PRESS GENERALLY OPTIMISTIC
FOR LONG-TERM ECONOMIC OUTLOOK BUT CALLED FOR GOVT
INITIATIVES TO STIMULATE ECONOMY WHILE INCOMING PRES
FURGLER APPEALED FOR OPTIMISM AND SUPPORT FOR NEW GOVT
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PAGE 02 BERN 00050 01 OF 02 061051Z

ECONOMIC PROGRAMS. RETAIL SALES ROSE 3 PCT IN
NOV WHILE HOTEL OVERNIGHT STAYS FELL 1 PCT. END SUMMARY.

FINANCIAL

2. FOREIGN EXCHANGE AND GOLD: YEAR-END ADJUSTMENTS IN
FOREIGN EXCHANGE POSITIONS IN THIN MARKET CAUSED DOLLAR

RATE AGAINST SWISS FRANC TO FLUCTUATE SHARPLY AT MID-WEEK. DOLLAR, DM AND POUND STERLING CLOSED FRIDAY SLIGHTLY HIGHER AGAINST FRANC THAN MONDAY RATES. FOREIGN EXCHANGE DEALERS PREDICTED CONTINUED DOLLAR RATE FLUCTUATIONS WITH STABILITY DEPENDING UPON EXTENT OF SWISS NATIONAL BANK MARKET INTERVENTIONS TO SUPPORT DOLLAR RATE. SNB PRES LEUTWILER PREDICTED DOLLAR RATE WOULD RISE IN 1977 AGAINST SWISS FRANC, PARTICULARLY IF HOPES PLACED IN NEW US ADMINISTRATION WERE FULFILLED. IN QUOTE GESTURE UNQTE TO HELP EXPORT INDUSTRIES, 3 LARGEST BANKS AGREED WITH SNB THAT AFTER JAN 1, 77 MAXIMUM FOREIGN EXCHANGE TRANSACTION ON WHICH UNIFORM EXCHANGE RATES (SET DAILY) ARE APPLIED WOULD BE LOWERED FROM SF 250,000 TO SF 18,000 WITH RATES NEGOTIABLE ON LARGER AMOUNTS. MOST BANKS WILL ADOPT LOWER CEILING THOUGH IT COULD MAKE THEIR OPERATIONS MORE COSTLY. GOLD PRICE ROSE TO 134. RATES FOLLOW.

	OPEN (12/27)	CLOSE (12/31)
SPOT DOLLAR	2.4465	2.4490
FORWARD DISCOUNTS (PCT P A)		
ONE MONTH	3.73	4.26
2 MONTHS	3.17	3.67
3 MONTHS	3.98	3.35
6 MONTHS	2.89	3.20
12 MONTHS	2.88	3.06
SF/DM	103.31	103.66
GOLD	132.75	134.5

3. CAPITAL AND MONEY MARKET: MARKET HIGHLY LIQUID. SNB
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PAGE 03 BERN 00050 01 OF 02 061051Z

PROVIDED SF 8 BILLION IN SWAPS AND CREDITS TO HELP BANKS MEET YEAR-END POSITIONING. CALL MONEY RATE AT MID-WEEK WAS 2.5 PERCENT FOR YEAR-END BUT FELL TO 0.25 PCT FRIDAY. AVERAGE YIELD CONFEDERATION BONDS SLIPPED SLIGHTLY TO 4.42. STOCK PRICES MADE BIG GAINS; SKA INDEX (1959 - 100) AT 220.10 DEC 30, HIGHEST SINCE MAY 2, 74.

4. SNB'S END 1976 BALANCE SHEET: BALANCE SHEET TOTAL UP 19 PCT FROM NOV AND 12 PCT ABOVE END 75. SNB GOLD HOLDINGS ROSE SLIGHTLY BY SF 214.95 IN DEC. FOREIGN EXCHANGE HOLDINGS UP 47 PCT FROM END NOV AND 39 PCT FROM END 1975 RESULT IN YEAR-END SWAPS WITH BANKS. GIRO ACCOUNTS (PRINCIPAL LIQUIDITY INDICATOR) UP 86 PCT FROM NOV AND 10 PCT OVER END 1975. MAJOR CHANGES SHOWN BELOW:

DEC 31 (CHANGE FROM NOV 30)

(MILLIONS OF SWISS FRANCS)

ASSETS

GOLD	11,904	-	-	
FOREIGN EXCHANGE	20,426	UP	6,565	
ROOSA BONDS	5,222	DOWN	114	
DISCOUNTED PAPER	926	UP	382	
LOMBARD LOANS	157	DOWN	7	
OTHER	664	DOWN	614	

LIABILITIES

NOTES IN CIRCULATION	19731	UP	1,094	
GIRO ACCOUNTS	12,644	UP	5,833	
RESERVES (FOREIGN				
LIABILITIES)	246	UP	20	
OTHER	6,678	DOWN	735	
BALANCE SHEET TOTAL	39,299	UP	6,212	

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PAGE 01 BERN 00050 02 OF 02 061041Z
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UNCLAS SECTION 2 OF 2 BERN 0050

PASS TREASURY AND FRB

ECONOMIC

5. FORECAST 1977: GOVT'S ECONOMIC FORECAST FOR
77 PREDICTED GNP WILL GROW 1.5-2 PCY IN NOMINAL

TERMS, 0.5 PCT IN REAL TERMS, COMPARED SLIGHT
REAL DECLINE IN 1976. INFLATION EXPECTED REMAIN UNDER
ONE PCT AS IN 1976. EXPORT VOLUME PROJECTED TO
EXPAND BY NEARLY 6 PCT IN 77, COMPARED 12 PCT
IN 76. CURRENT ACCOUNT BALANCE OF PAYMENTS EXPECTED
TO SHOW LARGER SURPLUS, NEARLY SF 8.8 BILLION, COMPARED
SF 8.4 BILLION IN 1976 AND SF 6.7 BILLION IN
75. FEDERAL COUNCILOR BRUGGER SAID THAT 77 WILL
SEE SWISS GNP STABILIZE AT 76 LEVEL WITH ALMOST
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PAGE 02 BERN 00050 02 OF 02 061041Z

NO GROWTH BUT NO RECESSION. BRUGGER NOTED HEALTHY
STATE OF BANKS AND CHEMICAL INDUSTRY, SLIGHTLY DEPRESSED
CONDITION OF METALS, MACHINES AND TOURISM, WHILE
BUILDING AND WATCH INDUSTRIES CONTINUE TO EXPERIENCE
SERIOUS DIFFICULTIES WITH SLIGHTLY INCREASED UNEMPLOYMENT
POSSIBLE. SNB PRES LEUTWILER TOLD PRESS THAT
SWISS ECONOMY WILL SEE NEW STRUCTURAL PROBLEMS APPEAR
IN 77 WHICH DESPITE SLIGHT GNP RISE, MAY BE MORE DIFFICULT
THAN LAST PART 76. HE ADDED THAT ADDITIONAL GOVT STIMULATION
WOULD NOT HELP EXPORT INDUSTRIES IN PRESENT
CIRCUMSTANCES BUT BELIEVED SWISS ECONOMY WOULD EMERGE
STRONGER FROM RATIONALIZATION PROCESS.

6. SWISS PRESS: PRESS COMMENTARY GENERALLY
OPTIMISTIC THAT DANGER OF RENEWED RECESSION
REMOTE AND SLOW BUT SURE RECOVERY WOULD MAKE ECONOMY
STRONGER. ONE EDITORIAL SPECULATED THAT SWITZERLAND MAY
BE LOSING ITS INDUSTRIAL BASE AND ABILITY TO MAINTAIN
FULL EMPLOYMENT, BUT HOPED THAT FREED ASSETS WOULD BE
USED TO STRENGTHEN RESEARCH AND DEVELOPMENT, SOCIAL
WELFARE AND LESS DEVELOPED AREAS OF SWITZERLAND. NOTING
INCOMING PRES FURGLER'S NEW YEAR APPEAL FOR OPTIMISM
AND SUPPORT FOR GOVT'S ECONOMIC PROGRAMS, SEVERAL EDITORIALISTS
WROTE THAT GOVT HAS AVOIDED STRONG PUBLIC SECTOR STIMULUS
TO OVERCOME RECESSION, RELYING INSTEAD ON MONETARY POLICY
TO HALT INFLATION AND REVIVE ECONOMY. THEY STRESSED TAT
IN ABSENCE OF STIMULATIVE DOMESTIC AND FOREIGN DEMAND,
MONETARY INCENTIVES ALONE WOULD FAIL TO INDUCE INVESTMENT;
THE ECONOMY NEEDS GOVT INITIATIVES WHICH PRESENT STATE
OF PUBLIC FINANCES DO NOT PERMIT. THEREFORE, 77 SEEN
AS YEAR OF IMPORTANT DECISIONS FOR SWISS WHO WILL
VOTE ON PROVIDING GOVT BROADER ECONOMIC POLICY
POWERS AND ESPECIALLY VALUE ADDED TAX.

7. RETAIL SALES: GOVT FIGURES SHOW NOMINAL
3 PCT INCREASE (3.6 PCT IN REAL TERMS) FOR RETAIL
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PAGE 03 BERN 00050 02 OF 02 061041Z

SALES TURNOVER DURING NOV 76, COMPARED 5 PCT
DECLINE IN OCT 76 AND 9 PCT DECREASE IN NOV
1975. INCREASE WAS LED BY GREATER SALES OF FUELS, FOOD,
ANDBEVERAGES WHILE TEXTILE SALES DECLINED. HARDWARE, FURNITURE
AND PHARMACEUTICALS SALES ALSO ROSE IN NOV.

8. HOTELS: OVERNIGHT STAYS IN HOTELS DURING NOV
76 WERE 1,107 MILLION, ONE PCT BELOW LEVEL OF
NOV 76; STAYS BY SWISS DECLINED 2 PCT WHILE
NUMBER OF FOREIGN GUESTS DECREASED 1 PCT. FIRST
11 MONTHS 76 REGISTERED 24.78 MILLION OVERNIGHT STAYS,
DOWN 4 PCT FROM SAME PERIOD 75. BOTH SWISS AND
FOREIGN GUESTS (60 PCT OF TOTAL) DECLINED 4 PCT.
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Message Attributes

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